



Bank *of* North Dakota

Frequently Asked Questions

Promoting
agriculture, commerce
and industry
since 1919



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Mission

To deliver quality, sound financial services that promote agriculture, commerce and industry in North Dakota.

History

During the early 1900s, North Dakota's economy was based on agriculture. Serious in-state problems prevented cohesive efforts in buying and selling crops and financing farm operations. Grain dealers outside the state suppressed grain prices; farm suppliers increased their prices; and interest rates on farm loans climbed.

The Non-Partisan League gained control of the Governor's office and both Legislative bodies in 1918. Their platform included state ownership and control of marketing and credit agencies. In 1919, the state legislature established Bank of North Dakota (BND) and the North Dakota Mill and Elevator Association.

BND opened July 28, 1919, with \$2 million of capital. The State of North Dakota began using bank profits in 1945 when money was first transferred into the General Fund. Since that time, capital transfers have been approved by the Legislature to fund the State's budget when needed.

In partnership with more than 100 financial institutions in North Dakota, BND fulfills its mission to promote the development of agriculture, commerce and industry in North Dakota. The operating policy, established in 1919, stated that the Bank shall be "helpful to and to assist in the development of state and national banks and other financial institutions and public corporations within the state and not, in any manner, to destroy or to be harmful to existing financial institutions." The Bank's [operating policy](#) continues to serve as a guiding principle for the Bank's work in our state.

Bank of North Dakota has resided in Bismarck since it opened in 1919, moving to its current location in 2008. There are no branches of the Bank.

Organizational structure of the Bank

Industrial Commission

The 1919 State Legislature created the State Industrial Commission whose function was to conduct and manage, on behalf of the State of North Dakota, certain utilities, industries, enterprises, and business projects. The Industrial Commission was charged with the operation, management, and control of BND. The Industrial Commission is composed of the Governor who acts as Chairman, the Attorney General, and the Agriculture Commissioner of the State of North Dakota.

Advisory Board

Also joining the State Industrial Commission in overseeing the operations of BND is the BND Advisory Board of Directors, which was established by state statute in 1969. The Governor of North Dakota appoints Advisory Board members knowledgeable in banking and finance to the seven-member board. Duties of the Advisory Board include review of the Bank's operations and recommendations to the Industrial Commission concerning management, services, policies and procedures.

Executive Committee

Bank of North Dakota's Executive Committee consists of six members including the president and CEO, Chief Lending Officer, Chief Administrative Officer, Chief Business Officer, Chief Financial Officer, and Director of Student Loans North Dakota.

Employees: The Legislature has authorized 179.5 full time equivalents for employment at Bank of North Dakota.

BND is not FDIC Insured

In contrast to most commercial banks, BND is not a member of the Federal Deposit Insurance Corporation (FDIC). North Dakota Century Code 6-09-10 provides that all BND deposits are guaranteed by the full faith and credit of the State of North Dakota.

Minneapolis Federal Reserve Bank

BND is an online member of the Minneapolis Federal Reserve Bank. We do check processing, maintain a reserve requirement, safe keep all our Fed book entry securities and have discount window borrowing authority.

Bank profits are returned to the State

A portion of the Bank's profits are returned to the citizens of North Dakota through Legislative appropriation and economic development programs.

Legislative appropriation

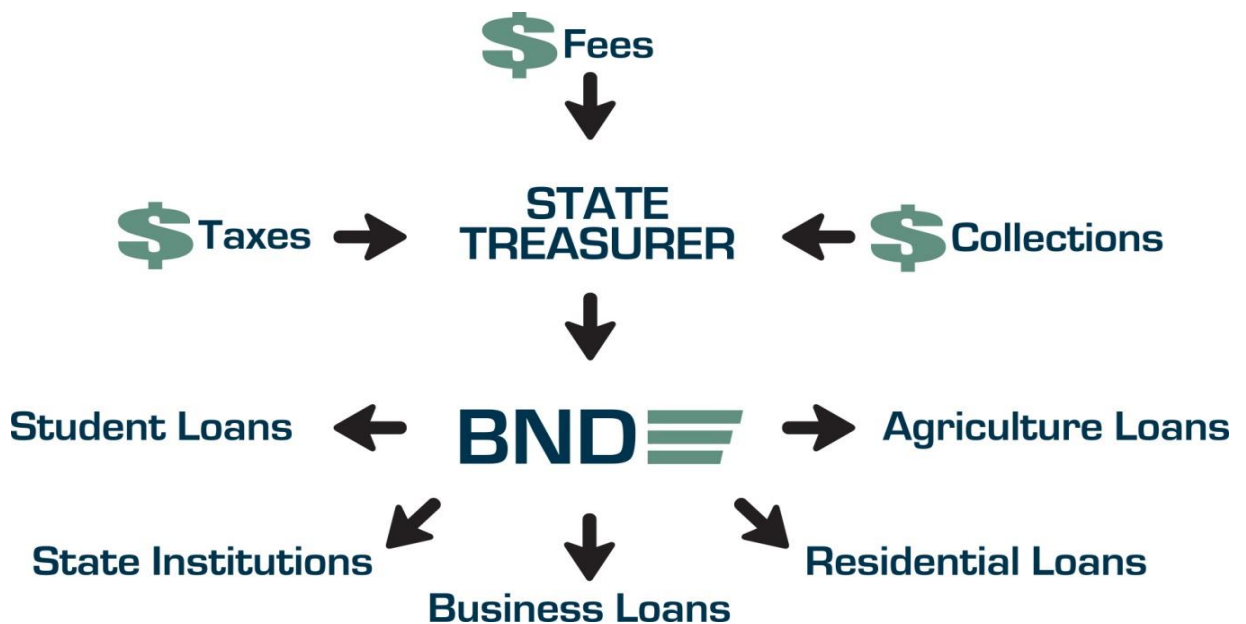
The ND Legislature can appropriate the transfer of funds to the State's General Fund. The first transfer occurred in 1945. As of December 31, 2012, \$585 million has been transferred to the State of North Dakota. The majority is given to the General Fund with the balance given to special State programs.

Deposit base

The deposit base of Bank of North Dakota is unique. The original act of 1919 provided that all public funds were to be deposited with BND. An initiated measure in 1921 changed this by providing that all political subdivisions, with the exception of the state itself, make deposits either with private institutions or with BND. Because the law requires that all monies of the state and state institutions must be deposited with BND, the state is able to allocate funds to various financial institutions.

The majority of bank deposits come from tax collections and state fees. North Dakota city and county government entities, and North Dakota residents are able to make deposits at BND.

This graphic demonstrates the manner in which funds are received by BND and distributed to its citizens.

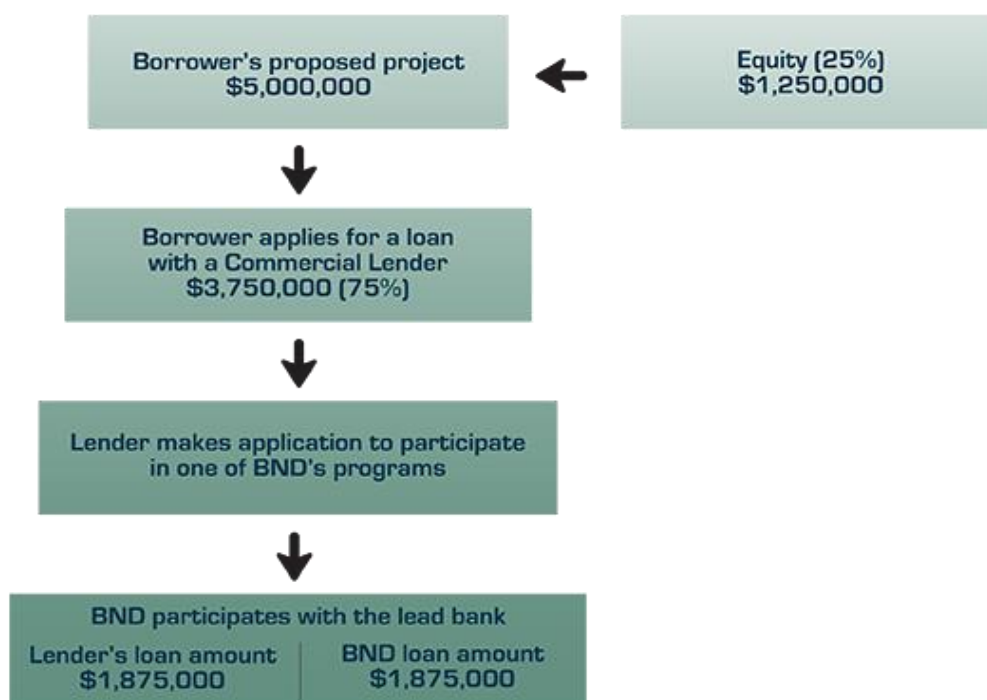


Economic development

Profits are used to fund BND's Lending Programs which promote economic development in North Dakota. Some programs can be accessed directly by consumers, and others are accessed through partnerships with community-based financial institutions.

BND is authorized to assist other financial institutions in providing financing to stimulate economic development in the state. The Bank works in partnership with them, offering a broad range of services and products. This efficient business model allows us to promote the state's programs and work with knowledgeable people who understand the communities they serve.

A typical loan transaction for a commercial loan is demonstrated with this graphic.



BND Services

[Lending Services](#)

On behalf of the State of North Dakota, the Bank administers programs that promote agriculture, commerce and industry. Lending programs finance economic development, housing development, student loans, and disaster relief.

BND is involved in two types of lending: direct lending and participation loans.

Legislative action has given express lending authority to BND for

- The purchase or acquisition of bank stock or the formation of a bank holding company
- The acquisition or refinancing of farm real estate by qualified individuals
- Assistance with post secondary educational costs i.e., student loans

All other lending by BND is through participation with a lead financial institution. This lead lender can be any qualified financial institution - most notably a bank, savings and loan, credit union or Farm Credit Services.

BND provides four types of loans

- [Commercial loans](#)
- [Agricultural loans](#)
- [Residential loans](#)
- [Student loans](#)

Student Loans

Since 1967, BND has been North Dakota's trusted source for high quality customer service and a range of valuable student loan options. The Bank works with individual borrowers, parents and colleges and universities to assist with the student loan process from applying through repayment, management and consolidation of a student loan.

Dakota Education Alternative Loan (DEAL)

BND first made the DEAL loan available to students in 1997. Originally intended for aviation, medical, and law students at the University of North Dakota who fell short in meeting their cost of attendance, it was quickly recognized that more students were in need of a student loan beyond federal programs. Borrowers must complete the FAFSA and are encouraged to use Federal Student Loan Programs first, meet credit criteria and choose between fixed or variable interest rate loans.

North Dakota students and students choosing to attend school in North Dakota do not pay the administrative fee. Consolidation is also an option for DEAL and alternative student loans.

Retail and Operations

Bank of North Dakota is a correspondent bank for most financial institutions in North Dakota. In this role, the Bank provides a secure, cost-effective service with high availability of funds. BND also provides services for state agencies.

Retail Banking

Bank of North Dakota offers checking and saving accounts to North Dakota residents, North Dakota state agencies and municipalities. For proof of ND residency, an individual must have a North Dakota driver's license and a physical address in North Dakota. At this time, deposits are not accepted from individuals whom reside out of state or do not meet these criteria. A business must have a physical address in North Dakota and at least one signatory on the account must be a North Dakota resident.

Because of our unique structure, it is the Bank's policy not to compete with the private sector for retail deposits. Therefore, convenience products such as ATM cards, debit cards, credit cards or online bill pay are not offered. Only standard checking and savings accounts are available to North Dakota residents.

Federal Banking Laws and Regulations mandate financial institutions to obtain and document the identification and other pertinent information of their customers. In order to meet these regulations, an individual must come to the Bank, located at 1200 Memorial Highway in Bismarck, to open an account. You will be asked to show your North Dakota driver's license and also may be asked to provide proof of your address as documented on an electric bill or other type of billing. At that time, we will review the request to open an account. Account opening is subject to approved credit.

Bank of North Dakota's Retail Banking provides coin and currency to financial institutions within the state of North Dakota that maintain accounts with the Bank. This enables financial institutions across the state to meet the coin and currency needs of their depositors.

Cash Management for Respondent Banks and State Agencies

BND offers a cash management system called BND Direct. This process enables customers from financial institutions, and other eligible corporate and state institutions, the ability to access or obtain information for managing BND accounts. Services include online wire transfers, transfers between multiple accounts, balance and account activity information, ACH origination and receipt, coin and currency ordering, on-line participation loan payments, retrieval of bank reports, and customized reports.

Correspondent Banking Services

- Automated Clearing House - BND Automated Clearing House (ACH) software is designed to electronically originate and receive automated clearing house items. Through our network system, any financial institution in the state can offer its customers the convenience of ACH. In addition, banks can receive their own ACH activity through BND.
- Check Clearing - BND serves as North Dakota's Central Clearing House for both in-state and out-of-state items and assures quick exchange of all checks and drafts. Services and products include Check Clearing (Image Exchange

Services), Paper Check Processing, Canadian check clearing, and Return Item Service.

- Federal Reserve Bank Settlement Program - BND participates in the Federal Reserve Bank Settlement Program. Under this program, respondent institutions can utilize BND's account at the Federal Reserve Bank for automatic charge or credit of services with the Federal Reserve Bank. BND, in turn, will charge or credit the respondent's account at BND. Banks can also receive their Fed cash letters through BND.
- Wire Transfers: BND offers both incoming and outgoing wire transfers. This includes domestic and international wires. BND notifies customers of the transaction in a secure manner.

Treasury Services

Investments

The Bank's Federal Funds program includes 108 financial institutions in North Dakota averaging a daily volume of \$348 million. Safekeeping and Pledging Services cover 101 customers with assets of almost \$5.3 billion.

Trust

The Trust Department provides corporate trust services for the State of North Dakota and its political subdivisions, serving as trustee for 51 municipal issues with assets of \$316 million.

The department also offers bond register, transfer agent and paying agent services for more than 380 municipal issues with outstanding principal balances exceeding \$938 million. It serves as an escrow agent for more than 575 accounts with assets of \$139 million.

Programs administered by Bank of North Dakota

Student Loans of North Dakota

Student Loans of North Dakota (SLND), founded in 1982, is a guaranty agency for student loans made under the Federal Family Education Loan Program and North Dakota state's Dakota Education Alternative Loan (DEAL) Program. SLND is dedicated to insuring student loans against death, disability and default, our core functions also include:

- promoting college access for all students,
- distributing loan information to educate borrowers,
- preventing student loan defaults for all borrowers,

- providing training and support services to industry partners,
- supporting community outreach activities,
- educating students on financial literacy,

SLND partners with the [College Planning Center](#) to provide you with quality resources for accessing and paying for college.

For more information, visit [SLND](#) or visit the [College Planning Center](#).

College SAVE

BND administers North Dakota's 529 plan, [College SAVE](#). This higher education savings plan provides many advantages for students and their families pursuing a college education. The North Dakota College SAVE plan offers valuable tax benefits, low minimums and generous maximum contributions, a range of investments from Vanguard and matching fund opportunities from the state of North Dakota.

North Dakota Dollars for Scholars (NDDFS)

BND administers the state chapter and absorbs expenditures for [NDDFS](#) so the 80-plus local North Dakota chapters and state chapter can disseminate more student scholarships. Dollars for Scholars chapters help hometown students achieve their educational goals by raising scholarship funds, establishing endowments, providing assistance with college readiness and the financial aid process, and distributing scholarships each year.

Access Information on the Web site

- [Annual Reports](#) (hyperlink)
- [Press Releases](#)
- North Dakota Century Code information
 - [Chapter 6-09 The Bank of North Dakota](#)
 - [Chapter 54-17 Industrial Commission](#)
 - [Title 6 Banks and Banking](#)

Research

- New England Public Policy Center Research Report 11-2 May 2011: [The Bank of North Dakota: A model for Massachusetts and other states?](#)
- Vermont Digger January 25, 2010: [Expert testimony: Should Vermont form a state-owned bank?](#)